

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Business Meeting)
)
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, NOVEMBER 29, 2006

10:02 A.M.

Reported by:
John Cota
Contract Number: 150-04-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

Arthur H. Rosenfeld

Jeffrey D. Byron

STAFF and CONTRACTORS PRESENT

Scott Matthews for Executive Director B.B. Blevins

William Chamberlain, Chief Counsel

Dick Ratliff

Terry Thompson

Tav Commins

Barbara Byron

Art Soinski

Mike Magaletti

Lynn Marshall

Virginia Lew

D. Stephen Williams

Belen Valencia

Gene Strecker

Valerie Hall

Rachel Salazar

PUBLIC ADVISER

Nick Bartsch for Margret Kim

ALSO PRESENT

Michael Boyd (via teleconference)
Californians for Renewable Energy

ALSO PRESENT

Jeanne M. Sol,, Deputy City Attorney
City and County of San Francisco

G. Allan Comnes
NRG Energy, Inc.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

I N D E X

	Page
Proceedings	1
Agenda Addition: Item number 13, San Francisco Electric Reliability project	1
Items	1
1 Consent Calendar	1
2 Black & Veatch Corporation	2/8
3 Energy and Environmental Analysis	3/8
4 Gas Technology Institute	3/8
5 MRW & Associates	3/9
6 University of California, Davis	3/9
7 Demand Forecast Data Request	10/33
8 City of Larkspur	13
9 U.S. Department of Energy, Lawrence Berkeley National Laboratory	14
10 Regents of the University of California, Davis	17
11 California Department of Parks and Recreation	18
12 Edelman	20
13 San Francisco Electric Reliability Project	27
14 Minutes	38
15 Commission Committee Presentation/ Discussion	39
16 Chief Counsel's Report	39
17 Executive Director's Report	44
18 Legislative Director's Report	44

I N D E X

	Page
Items - continued	
19 Public Adviser's Report	44
20 Public Comment	44
Adjournment	44
Certificate of Reporter	45

P R O C E E D I N G S

10:02 a.m.

CHAIRPERSON PFANNENSTIEL: This is the Energy Commission business meeting. Please join me in the Pledge of Allegiance.

(Whereupon the Pledge of Allegiance was recited in unison.)

CHAIRPERSON PFANNENSTIEL: We have one change to the agenda. We will consider adding an item on the San Francisco Electric Reliability project. May I have a motion to add that item to our agenda?

COMMISSIONER ROSENFELD: I so move.

COMMISSIONER BYRON: Second.

CHAIRPERSON PFANNENSTIEL: All in favor of adding to the agenda?

(Ayes.)

CHAIRPERSON PFANNENSTIEL: So that will become item number 13 on our agenda.

Start with the consent calendar; motion to approve the consent calendar?

COMMISSIONER ROSENFELD: I move the consent calendar.

COMMISSIONER BYRON: Second.

CHAIRPERSON PFANNENSTIEL: In favor?

1 (Ayes.)

2 CHAIRPERSON PFANNENSTIEL: Consent

3 calendar is approved.

4 Item number 2, possible approval of PIER
5 work authorization MR-055 for \$266,277 with Black
6 and Veatch Corporation/Lukens Energy Group, under
7 the UC master research agreement 500-02-004 with
8 the Regents of the University of California,
9 Office of the President/CIEE for expansion of
10 proprietary models to conduct research on whether
11 underground storage will play a significant role
12 in meeting natural gas requirements for the
13 forecasted growth in the California natural gas
14 market. Good morning.

15 MR. MAGALETTI: Good morning, Madam
16 Chairman, Commissioners. My name is Mike
17 Magaletti. I come before you today actually not
18 just to submit this item for approval, but four
19 others. They are part of a research opportunity
20 notice which the University of California and
21 myself released last January. And in the process,
22 brought 13 projects at one stage, and then finally
23 eliminated them and reduced them down to these
24 five projects.

25 The first three -- or excuse me, the

1 first two that are mentioned here, the Black and
2 Veatch and the Energy and Environmental Analysis
3 are modeling projects. The Gas Technology
4 Institute is a research assessment of emerging
5 storage technologies, gas storage technologies.

6 The MRW is a research assessment on the
7 revised market power tests that the Federal Energy
8 Regulatory Commission is imposing in developing.
9 And the CPUC's response to that.

10 And finally the last one, the University
11 of California at Davis, is another modeling
12 project.

13 Each of the modeling projects is
14 different scope, as you can tell by the amounts.
15 The Black and Veatch is more of a commercial
16 oriented model. It is market-based, and it's
17 based on their proprietary software.

18 The EEA is a western-wide system model.
19 And it involves both their proprietary software
20 and publicly available software.

21 And finally, the University of
22 California at Davis proposal is a enhancement of
23 an ongoing research project that Professor
24 Williams and his graduate student have developed
25 for our natural gas working group.

1 I'd like you to consider -- although
2 you'll be voting on each one of these
3 individually, I'd like you to consider them as a
4 package. They are, in essence, the Public
5 Interest Energy Research natural gas program's
6 storage proposal.

7 We are in the process of doing a scoping
8 and roadmapping for the strategic research area of
9 the natural gas program. But this action and
10 activities fit into that roadmapping process. In
11 particular, the Gas Technology Institute. Their
12 proposal to do the review of emerging storage
13 technologies is crucial to determining whether we
14 will be proposing to management an increased or an
15 expansion in the storage area.

16 We do not expect to do much more in the
17 way of analysis in the storage area. The three
18 modeling projects are -- we think cover the
19 various areas quite well.

20 And finally, the MRW proposal was a
21 timely, almost a serendipitous proposal, because
22 we knew that FERC was in the process of changing
23 its market power assessment; and that the Public
24 Utilities Commission would have the decision to
25 make whether they would continue their own

1 approach, or they would use the FERC approach.

2 All of this together has been part of
3 our storage program. And we think that within a
4 year we will have most of what we need in this
5 area on the research side.

6 There's only one project here that is
7 actually going to last, or is scheduled to last
8 more than a year, and that is the EEA project,
9 which is the westwide model. And the model,
10 itself, will have been enhanced and developed by
11 the end of the year and a number of case studies
12 run. But it will not be complete.

13 All of these proposals are -- except for
14 the EEA -- are supposed to be done within 12
15 months. We have laid out a longer timeframe on
16 the work authorizations because if something goes
17 wrong and we have to delay one of these projects,
18 we would have to come back to the Commission for
19 approval. And I wanted to avoid that if possible.

20 So all but the EEA project are 18-month
21 work authorizations, but the projects, themselves,
22 should take 12 months. The EEA project is a two-
23 year project with a 36-month work authorization.

24 One of the end products of all of this
25 activity is going to be a modeling forum. We

1 intend to have the results of all of these models,
2 their case studies, and their attempts to address
3 the six major issues that we identified in our
4 research opportunity notice, characterized and
5 displayed at a modeling forum, hopefully at the
6 end of the first year.

7 If the EEA project goes as we hope, we
8 should have enough information to describe its
9 performance and activities and compare them to the
10 other two. If not, we may have to wait till month
11 18 or so to have that forum.

12 But all of the proponents have agreed
13 that they will jointly present the information.

14 Are there any questions that you have?
15 I know I've briefed Commissioner Rosenfeld; I've
16 also briefed Commissioner Byron. Madam Chairman,
17 you weren't available. I'd be happy to answer any
18 questions you have.

19 CHAIRPERSON PFANNENSTIEL: Are there
20 questions, Commissioners? Commissioner Byron.

21 COMMISSIONER BYRON: Madam Chair, yes,
22 Mr. Magaletti did brief us. He also went through
23 this in great detail at the Natural Gas Committee
24 meetings. And I'm going to endorse, of course,
25 these projects.

1 But I'm very interested in how this
2 material is all going to be integrated a year to
3 18 months from now. And the modeling forum sounds
4 like that will be my opportunity to hear that.

5 But I'd like to ask, if it's not, if we
6 could perhaps have another briefing and discussion
7 at that 12- to 18-month time period so I'll have a
8 better understanding of how this will all be
9 integrated.

10 MR. MAGALETTI: I see no problem with
11 that.

12 COMMISSIONER BYRON: Thank you.

13 MR. MAGALETTI: I'd be happy to bring
14 information to the Natural Gas Committee, as I
15 will to the RD&D Committee.

16 COMMISSIONER BYRON: I'm sure you will.
17 Thank you.

18 CHAIRPERSON PFANNENSTIEL: Further
19 questions? Commissioner Rosenfeld.

20 COMMISSIONER ROSENFELD: Madam Chairman,
21 how do you want to handle this? Can I move items
22 2 through 6 and then we'll vote on them
23 separately?

24 CHAIRPERSON PFANNENSTIEL: I think we
25 need to do them one at a time.

1 COMMISSIONER ROSENFELD: So I just move
2 one of them? I move item 2.

3 COMMISSIONER BYRON: I second.

4 CHAIRPERSON PFANNENSTIEL: All in favor?

5 (Ayes.)

6 CHAIRPERSON PFANNENSTIEL: Item 3, I
7 believe I need to read this into the record, and
8 then we'll act on them.

9 Possible approval of PIER work
10 authorization MR-056 for \$732,733 with Energy and
11 Environmental Analysis under the UC master
12 research agreement 500-02-004 with the Regents of
13 the University of California, Office of the
14 President/CIEE, for developing a multistate
15 natural gas infrastructure simulation model to
16 analyze the value of natural gas storage in
17 California.

18 Is there a motion?

19 COMMISSIONER ROSENFELD: I move the
20 item.

21 COMMISSIONER BYRON: Second.

22 CHAIRPERSON PFANNENSTIEL: In favor?

23 (Ayes.)

24 CHAIRPERSON PFANNENSTIEL: Item 4,
25 possible approval of PIER work authorization

1 MR-057 for \$350,082 with Gas Technology Institute
2 under the UC master research agreement 500-02-004
3 with the Regents of the University of California,
4 Office of the President/CIEE, for developing a
5 California natural gas storage technology research
6 assessment.

7 Is there a motion?

8 COMMISSIONER ROSENFELD: I move item 4.

9 COMMISSIONER BYRON: Second.

10 CHAIRPERSON PFANNENSTIEL: In favor?

11 (Ayes.)

12 CHAIRPERSON PFANNENSTIEL: Item 5,
13 possible approval of PIER work authorization MR-
14 058 for \$109,077 with MRW and Associates under the
15 UC master research agreement number 500-02-004
16 with the Regents of the University of California,
17 Office of the President/CIEE, for developing a
18 research assessment of regulatory barriers to
19 financing the expansion of natural gas storage
20 facilities in California.

21 COMMISSIONER ROSENFELD: I move item 5.

22 COMMISSIONER BYRON: And I second it.

23 CHAIRPERSON PFANNENSTIEL: All in favor?

24 (Ayes.)

25 CHAIRPERSON PFANNENSTIEL: Item 6,

1 possible approval of PIER work authorization MR-
2 059 for a \$55,948 grant with the -- I'm sorry,
3 work authorization for \$55,948 with the University
4 of California -- after a while I can't even read -
5 - under the UC master research agreement 500-02-
6 004 with the Regents of the University of
7 California, Office of the President/CIEE, for
8 developing a low-cost daily simulation model of
9 the California natural gas transportation
10 underground storage network.

11 COMMISSIONER ROSENFELD: I move item 6.

12 COMMISSIONER BYRON: Second.

13 CHAIRPERSON PFANNENSTIEL: In favor?

14 (Ayes.)

15 CHAIRPERSON PFANNENSTIEL: Thank you.

16 They're all approved.

17 MR. MAGALETTI: Thank you.

18 CHAIRPERSON PFANNENSTIEL: Item 7,
19 possible adoption of forms and instructions for
20 the demand forecast data requests for the 2007
21 Integrated Energy Policy Report. Ms. Marshall.

22 MS. MARSHALL: Yes. We are requesting
23 energy and peak demand forecasts through the year
24 2018 for all load-serving entities in the state
25 with annual peak demand greater than 200

1 megawatts.

2 There are two primary purposes of this
3 data request. One is to provide a point of
4 comparison prior to an adoption of a forecast as
5 part of the 2007 IEPR. And second is to provide
6 data that staff needs to develop its own forecast
7 including historic energy and load information,
8 and information from the utilities on their
9 current and expected impacts of energy efficiency,
10 demand response and renewables programs.

11 Overall this data request is very
12 similar to what we requested in the 2005
13 proceeding with two notable exceptions. First,
14 we're requesting from the IOUs more geographically
15 disaggregate hourly load information.

16 The purpose of that is to allow staff to
17 develop a more geographically disaggregate
18 forecast than our usual planning area forecasts.
19 There are many uses of our forecasts at the ISO
20 and the PUC and at the CEC that require a forecast
21 disaggregated to LSE, to service area, to load
22 pockets. And the data we are requesting will
23 allow us to do that.

24 We're also requesting more information
25 about the assumptions on migrating load or newly

1 municipalized load in the utilities' forecasts.

2 And that will allow us to comply with AB-1723 and
3 to report on forecasted migrating load to the PUC.

4 Then finally, in response to discussion
5 at our October workshop we've modified our
6 instructions for how to account for energy
7 efficiency in the forecasts so that there's a more
8 meaningful presentation of what energy efficiency
9 impacts are included in the forecast versus what
10 is considered as an alternative, uncommitted
11 energy efficiency opportunities.

12 So, with that, do you have any
13 questions?

14 CHAIRPERSON PFANNENSTIEL: Ms. Marshall,
15 this has been, this set of forms and instructions
16 has been subject to workshops and discussions with
17 all the parties?

18 MS. MARSHALL: Yes.

19 CHAIRPERSON PFANNENSTIEL: And what
20 you're proposing here is the result of all of
21 that?

22 MS. MARSHALL: Yes.

23 CHAIRPERSON PFANNENSTIEL: Are there
24 other questions? Is there a motion?

25 COMMISSIONER BYRON: I'll move the item.

1 COMMISSIONER ROSENFELD: I'll second.

2 CHAIRPERSON PFANNENSTIEL: All in favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: It's been
5 approved, thank you.

6 Item 8, possible approval of \$46,600
7 loan to the City of Larkspur to replace furnaces
8 and condensing units and install attic insulation,
9 vending machine misers and occupancy sensors in
10 city buildings. Good morning.

11 MS. LEW: Good morning, Commissioners.
12 My name is Virginia Lew and I'm with the public
13 programs office.

14 The City of Larkspur received an energy
15 audit from the Marin Energy Team in 2005. The
16 City implemented the lighting recommendations
17 using its own funds. And now this loan will allow
18 them to implement the remaining projects and
19 further reduce energy use at the city hall and the
20 fire station.

21 The loan will cover about 65 percent of
22 the project cost and the remaining funds will be
23 covered by either utility rebates or their own
24 internal funds.

25 Staff has reviewed the projects; they've

1 visited the site; and they believe that the
2 projects are technically feasible and meet all
3 requirements of the Energy Conservation Assistance
4 Account.

5 The City's loan request has been
6 approved by the Efficiency Committee; and staff
7 recommends approval of the loan. Thank you.

8 CHAIRPERSON PFANNENSTIEL: Discussion,
9 or is there a motion?

10 COMMISSIONER ROSENFELD: I move the
11 item.

12 COMMISSIONER BYRON: I'll second.

13 CHAIRPERSON PFANNENSTIEL: All in favor?
14 (ayes.)

15 CHAIRPERSON PFANNENSTIEL: It's been
16 approved, Ms. Lew, thank you.

17 MS. LEW: Thank you.

18 CHAIRPERSON PFANNENSTIEL: Item 9,
19 possible approval of contract 500-06-022 with the
20 U.S. Department of Energy, Lawrence Berkeley
21 National Laboratory, for \$1,299,000 to develop
22 standard specifications and technologies that
23 improve the energy efficiency of computer networks
24 conductivity. Mr. Williams.

25 MR. WILLIAMS: Good morning, Chairman

1 Pfannenstiel; good morning, Commissioners. My
2 name's Steve Williams; I'm a senior supervisor in
3 the energy efficiency research office. And I'm
4 appearing today on behalf of Brad Meister, the
5 Commission's contract manager for this contract.

6 We would like to request Commission
7 approval of contract 500-06-022 for \$1,299,000
8 with LBNL to investigate energy efficient digital
9 networks. This contract is intended to
10 investigate energy use in a number of new areas to
11 include energy efficient digital networks and set-
12 top boxes.

13 The proposed PIER-funded contract with
14 LBNL will potentially provide up to 2300 gigawatt
15 hours of future electric savings by identifying,
16 prioritizing and developing energy efficiency
17 improvements in digital networks, including
18 changing speeds on ethernet links, developing
19 energy efficiency specifications for network
20 conductivity products, providing a specification
21 and standards framework so that network hardware
22 are capable of maintaining full network presence
23 for product and sleep mode, and developing energy
24 efficient set-top box design criteria.

25 This project, which will receive input

1 from industry, will potentially pave the way for
2 future Title 20 appliance regulations. This
3 project has been reviewed and approved by the R&D
4 Policy Committee. And staff recommends that the
5 Commission approve this contract with LBNL. It is
6 a three-year contract.

7 CHAIRPERSON PFANNENSTIEL: Thank you,
8 Mr. Williams. Is there discussion? Commissioner
9 Byron.

10 COMMISSIONER BYRON: Just one question.
11 Just a clarification on the amount of the contract
12 again, because you went through that so quickly,
13 Mr. Williams.

14 MR. WILLIAMS: \$1 million -- let me make
15 sure it's the same as on the agenda -- \$1,299,000.

16 COMMISSIONER BYRON: Correct; thank you.

17 COMMISSIONER ROSENFELD: And it's going
18 to save 2.5 billion kilowatt hours, which is the
19 output of a medium-sized power plant for a year.
20 And I enthusiastically move this item.

21 COMMISSIONER BYRON: I just as
22 enthusiastically second.

23 CHAIRPERSON PFANNENSTIEL: All in favor,
24 enthusiastically?

25 (Laughter.)

1 (Ayes.)

2 CHAIRPERSON PFANNENSTIEL: Approved,
3 thank you.

4 MR. WILLIAMS: Thank you.

5 CHAIRPERSON PFANNENSTIEL: Item 10,
6 possible approval of amendment 10 to contract 300-
7 97-009 with the Regents of the University of
8 California Davis adding up to \$85,000 and
9 extending the contract one year. Good morning.

10 MS. VALENCIA: Good morning,
11 Commissioners. My name is Belen Valencia; I work
12 in the demand analysis office.

13 And I'm here today to request the
14 approval for amendment 10 to the UC Davis contract
15 for \$85,000 to extend the contract by one year so
16 that we can obtain interns to help us with the
17 electricity forecast and to assist the efficiency
18 office, as well as the legal office, with whatever
19 paperwork or assistance they can provide.

20 That's pretty much it.

21 CHAIRPERSON PFANNENSTIEL: Are there
22 questions?

23 COMMISSIONER BYRON: I'm just curious as
24 to how many students this equates to in a year.

25 MS. VALENCIA: It equates to four for

1 the demand analysis, one for efficiency and one
2 for legal, so a total of six.

3 COMMISSIONER BYRON: Thank you.

4 COMMISSIONER ROSENFELD: I move the
5 item.

6 COMMISSIONER BYRON: I second it.

7 CHAIRPERSON PFANNENSTIEL: All in favor?

8 (Ayes.)

9 MS. VALENCIA: Thank you.

10 CHAIRPERSON PFANNENSTIEL: Thank you.

11 Item 11, possible approval of contract
12 RMB 600-06-002 to receive \$105,000 from the
13 California Department of Parks and Recreation for
14 analysis of Department of Motor Vehicles vehicle
15 registration data. Good morning.

16 MS. STRECKER: Good morning,
17 Commissioners. My name is Gene Strecker and I'm
18 with the fossil fuels office.

19 This agenda item represents external
20 funds being provided to the Energy Commission to
21 support its joint agency DMV database vehicle
22 registration project. I think I got those words
23 mixed up.

24 Staff is requesting Commission approval
25 to receive and spend the \$105,000 in support of

1 this project over the next three fiscal years.

2 The money comes from the Department of Parks and
3 Recreation.

4 The funds will reimburse the Commission,
5 manage consulting support and the Teale database
6 storage class for the raw DMV data. And we will
7 use the information to provide usable statistics
8 to meet our program needs and the program needs of
9 the Department of Parks and Recreation.

10 DMV will continue to provide six
11 databases over the three fiscal years, one each in
12 October and April.

13 The transportation programs of the
14 Commission, Parks and Rec and other government
15 agencies typically focus on a variety of
16 information details which are unavailable from the
17 DMV. And that's why this is important to us.

18 The funds that we receive from the
19 Department of Parks and Rec will help mitigate our
20 costs internally. So we ask that you approve this
21 item. Thank you.

22 CHAIRPERSON PFANNENSTIEL: Why is --
23 what is the interest of Parks and Recreation in
24 this? Why are they funding us to do this work?

25 MS. STRECKER: We have developed this

1 database and we've worked with Department of Parks
2 and Recs over the past several years. And they
3 use it for their off-highway vehicles, and to keep
4 track of four-wheel-drive vehicles.

5 It's just a small part of the work that
6 we do. And I think at some point in the future
7 the Commission will also start looking at off-
8 highway vehicles in support of the IEPR functions.
9 So I think both agencies will use that data.

10 CHAIRPERSON PFANNENSTIEL: Thank you.

11 COMMISSIONER BYRON: Madam Chair, I'll
12 move the item.

13 CHAIRPERSON PFANNENSTIEL: Thank you.

14 COMMISSIONER ROSENFELD: I'll second.

15 CHAIRPERSON PFANNENSTIEL: All in favor?

16 (Ayes.)

17 CHAIRPERSON PFANNENSTIEL: It's been
18 approved.

19 MS. STRECKER: Thank you.

20 CHAIRPERSON PFANNENSTIEL: Item number
21 12, and I need to make a correction on the
22 contract number from the published number.

23 Possible approval of contract 400-06-010
24 with Edelman for \$4,298,879 to conduct market
25 research and create and implement an effective

1 statewide public awareness campaign for the New
2 Solar Homes Partnership that will help insure
3 meeting the goals of the NSHP. Good morning.

4 MS. HALL: Good morning, Commissioners.
5 I am Valerie Hall, for the record, the Deputy
6 Director for efficiency and renewables here at the
7 Commission.

8 As you have noted, this contract is to
9 support the Commission's New Solar Homes
10 Partnership, a program that is a portion of the
11 California Solar Initiative. The Energy
12 Commission portion of it, the New Solar Homes
13 Partnership is a \$400 million program per Senate
14 Bill 1. It is designed to achieve 400 megawatts
15 of installed solar capacity on new home
16 construction.

17 The Commission is focusing, as you know,
18 on new home construction because of our experience
19 with building standards for new homes, which helps
20 to make homes energy efficient. The standards are
21 the baseline, and with this program, the New Solar
22 Homes Partnership, we will be seeking to have new
23 construction be even more energy efficient than
24 the current standards. And in combination with
25 that extra efficiency, we'd be providing rebates

1 for solar that is placed in that market sector.

2 So it's building on our successful
3 programs in energy efficiency and our successful
4 program to provide rebates for solar
5 installations.

6 And I will go ahead and turn it over to
7 Rachel, who can describe this particular contract
8 which will be used to help support the marketing
9 and awareness of this program, so that we can make
10 sure that it is a very successful program.

11 MS. SALAZAR: Good morning. My name is
12 Rachel Salazar and I am the contract manager in
13 the renewable energy office.

14 We're seeking approval of a three-year
15 public awareness campaign contract with Edelman.
16 This is to do a statewide public awareness
17 campaign for the New Solar Homes Partnership,
18 which Valerie just explained to you.

19 That will be implemented in January.
20 The term is set to be January 1, 2007 through
21 December 31, 2009, for a total amount of just
22 under \$4.3 million.

23 This will be funded out of the consumer
24 ed program dollars, which is out of the renewable
25 resource trust fund.

1 Edelman was selected out of 21 bidders
2 in this RFP process. And Edelman is the world's
3 third-largest PR firm established in Delaware in
4 1957. And they have been honored with numerous
5 awards.

6 The goals of the public awareness
7 campaign are threefold. First, to educate the new
8 homebuyers and builders, the trade organizations
9 and industry groups and financial institutions on
10 the value of new homes that incorporate high
11 levels of energy efficiency and high-performing
12 solar systems.

13 Second, to encourage builders to
14 incorporate high levels of energy efficiency and
15 high-performing solar systems as standard features
16 on new production homes.

17 And finally, to encourage homebuyers to
18 ask for high levels of energy efficiency and solar
19 photovoltaic systems when purchasing new
20 production homes.

21 The contractor will be conducting market
22 research at the beginning of this contract. And
23 then based on their research, they will be
24 developing a market and media plan, which they
25 will present to us for approval. And then they

1 will start the implementation phase of the media
2 and campaign plans.

3 We have built into the contract
4 safeguards at the end of every task. And
5 basically they have to have our authorization
6 before they can move forward with any action, any
7 media buys or you know. Any questions?

8 CHAIRPERSON PFANNENSTIEL: Thank you.
9 I'd like to make an observation about the New
10 Solar Homes Partnership and the place this
11 possible contract could take in that partnership.

12 We have, I think as Valerie pointed out,
13 dollars to spend for successfully developing 400
14 megawatts of solar from our program, part of the
15 grander California Solar Initiative going towards
16 3000 megawatts in the state.

17 Our program is intended to transform the
18 new home marketplace. Many of the new homes in
19 California are being built with central air
20 conditioning, and that's a major issue with
21 meeting the -- with driving the supply needs in
22 California. We're having to build power plants to
23 meet those peaks.

24 And so we're hoping that the New Solar
25 Homes Partnership, by linking the central air

1 conditioning of the new homes with solar
2 installations in these homes to help to mitigate
3 that peak growth.

4 We've worked with the building industry
5 in putting the program together, and they've told
6 us often that many of the new home buying public
7 isn't very knowledgeable about or interested in
8 energy efficiency or solar or their energy bills.
9 They sort of just want to get into the new home.
10 And the builders are not, themselves, all that
11 knowledgeable about energy issues. And so they
12 have come to us for some help.

13 And it has been the interest of all of
14 us working together on this program, and the
15 partnership includes the Energy Commission and the
16 builders and the solar community and the
17 utilities, to look for what is necessary to help
18 transform the market.

19 So, as I understand this contract came
20 together as a result of a competitive bid process
21 as a way of providing help to the builders, to the
22 utilities, to the new homebuying public to move in
23 the direction that we're heading.

24 With that, are there questions of the
25 Commissioners?

1 COMMISSIONER ROSENFELD: I just want to
2 make the remark when I first read item 12, \$4
3 million seemed like a fair amount of money. But a
4 little bit of arithmetic while our friends are
5 talking says it's about 3 cents per megawatt. And
6 I think that's a pretty good deal. So I'm pretty
7 enthusiastic.

8 COMMISSIONER BYRON: That's right. In
9 fact, I received a briefing on this one, as well.
10 And although it does seem like an enormous amount
11 of money compared to what we're trying to
12 accomplish here, we're trying to swat an elephant
13 with a fly-swatter to some extent.

14 So, it's extremely important work. I
15 was curious, I read, I believe just yesterday,
16 DOE's EnergyStar rating on California homes with
17 solar. Valerie or Rachel, does that have any --
18 did you see anything about that? Does that have
19 any bearing on all of this?

20 MS. HALL: We've been working with
21 Department of Energy and builders, the Commission
22 has, over the past several years to help encourage
23 people to do EnergyStar home or zero energy style
24 of home.

25 This program that we have developed as

1 part of the New Solar Homes Partnership actually
2 exceeds that a little bit. And provides a system
3 that coordinates with the current process that
4 builders use to demonstrate compliance with the
5 basic building standard.

6 So this becomes a seamless method of
7 achieving not only the standards, but exceeding
8 those standards and incorporating solar and having
9 an excellent building to offer the buying public.

10 COMMISSIONER BYRON: Well, thank you.
11 I'll be glad to move the item, if I may. I'll
12 move the item.

13 COMMISSIONER ROSENFELD: And I will
14 enthusiastically again second.

15 CHAIRPERSON PFANNENSTIEL: All in favor?

16 (Ayes.)

17 CHAIRPERSON PFANNENSTIEL: The contract
18 is approved. Thank you very much.

19 MS. HALL: Thank you.

20 MS. SALAZAR: Thanks.

21 CHAIRPERSON PFANNENSTIEL: Now we will
22 take up as item 13 the additional agenda item.
23 Possible consideration of petitions regarding the
24 San Francisco Electric Reliability project.

25 And that is item (a) possible approval

1 of petition for reconsideration of the final
2 Commission decision from Californians for
3 Renewable Energy.

4 And item (b) possible approval of
5 petition for reconsideration of the final
6 Commission decision from Robert Sarvey.

7 I'll ask Mr. Chamberlain to advise us on
8 this item.

9 MR. CHAMBERLAIN: All right. We're
10 getting a little bit of feedback here. Is that
11 because we're on the telephone? Is there someone
12 on the telephone?

13 CHAIRPERSON PFANNENSTIEL: Yes, I --
14 I'm on the phone.

15 CHAIRPERSON PFANNENSTIEL: Right. We do
16 have Michael Boyd on the telephone.

17 MR. CHAMBERLAIN: Okay, very good.

18 Under Public Resources Code section
19 25530 the Commission is statutorily empowered to
20 grant or deny a petition for reconsideration
21 within 30 days of its filing.

22 Under a long line of case authority
23 California, an administrative agency, only has the
24 power to reconsider a quasi-adjudicatory decision
25 such as the one before you today to the extent

1 specifically provided by statute.

2 These two petitions were filed on
3 November 1, 2006. So if the Commission does not
4 deal with them today they will be denied by
5 operation of law this week.

6 One of the petitioners, who I believe is
7 on the phone, has complained that he did not
8 receive the ten-day notice required by the Open
9 Meetings Act that the petitions would be heard at
10 this meeting.

11 The Open Meetings Act, as you're aware,
12 requires the Commission first to provide written
13 notice of the agenda for its meetings to all who
14 ask for that in writing within ten -- and that
15 written notice has to be provided within ten days
16 of the meeting. And second, to post the agenda on
17 the Commission's website within ten days of the
18 meeting.

19 In this case that second requirement was
20 met, but it appears that the first requirement was
21 missed by a day or two. Moreover, it appears that
22 the two petitioners had not requested that copies
23 of the Commission's agenda be mailed to them
24 either in hard copy or by email. They are on the
25 service list for the case, and they probably

1 assumed that they would get that that way. But we
2 have a separate list for the agendas. And so it's
3 possible that the delay in their receiving notice
4 of this hearing was exacerbated by this.

5 In order to make all procedural
6 objections moot while also preserving the
7 Commission's jurisdiction to act on the merits of
8 these petitions at a future meeting, I would
9 recommend that the Commission grant the petitions
10 and direct that they be placed on the Commission's
11 December 13th agenda. At that time the Commission
12 can hear argument from the petitioners and may
13 consider the responses of staff and the applicant
14 without prejudice to the rights of petitioners to
15 have adequate notice of all such arguments.

16 The Commission will then be able to
17 either modify its decision in accordance with the
18 petitions, or reaffirm it on the merits of the
19 arguments received. You may wish to ask if the
20 parties object to this method of being sure that
21 petitions may be properly heard on the merits.

22 CHAIRPERSON PFANNENSTIEL: Thank you,
23 Mr. Chamberlain. So your recommendation is that
24 we do reconsider at the next, which is, I believe,
25 December 13th, business meeting.

1 Is there anybody who would object or who
2 would like to speak to this item?

3 MR. BOYD: I would like to.

4 CHAIRPERSON PFANNENSTIEL: Yes, go
5 ahead, Mr. Boyd.

6 MR. BOYD: First, I would state that I
7 have no objection to the 13th. But I do slightly
8 disagree with what Mr. Chamberlain said in that we
9 never (inaudible) at all. And I have not yet
10 received it. (inaudible). I don't know about Mr.
11 Sarvey, but the fact (inaudible).

12 I would just ask that if you do permit
13 the reconsideration on the 13th that you -- that
14 all the interested persons, as stated in section
15 25530, that all interested persons, which I think
16 are the parties to the proceedings, 04-AFC-1, that
17 you make sure they get a hard copy notice.

18 I also would point out that at the last
19 hearing where I had another (inaudible) acted on
20 by the Commission -- I simply request in the
21 future that we get the notices of the agenda if
22 the item that, you know, that's (inaudible)
23 agenda. And I assumed that would happen.

24 Remember the last time the issue was
25 that the electronic listing on the website was

1 listed on the siting case, but not on the business
2 meeting.

3 So, essentially this is a slight SNAFU,
4 but I want to do it right. And I'm sure you guys
5 do, too. And so I don't object to the 13th --

6 MR. CHAMBERLAIN: We certainly will be
7 sure that all parties get notice of this.

8 CHAIRPERSON PFANNENSTIEL: Yes, we will.
9 Thank you, Mr. Boyd.

10 Other comments?

11 MS. SOL : Good morning, Commissioners.
12 I'm Jean Sol, from the City of San Francisco. And
13 we support the approach that's been suggested by
14 Mr. Chamberlain. We think it's important that
15 any, you know, possible concern about procedural
16 issues be addressed. And so we will be prepared
17 to address the issue on the 13th if you so decide.

18 CHAIRPERSON PFANNENSTIEL: Thank you.
19 Mr. Ratliff, any comment?

20 MR. RATLIFF: We agree, also.

21 CHAIRPERSON PFANNENSTIEL: All right.
22 Then is there a motion to approve the petition for
23 reconsideration?

24 COMMISSIONER BYRON: Madam Chair, I'd
25 like to move this recommendation for approval of

1 the petition for reconsideration.

2 MR. CHAMBERLAIN: There are two
3 petitions.

4 CHAIRPERSON PFANNENSTIEL: Both
5 petitions?

6 COMMISSIONER BYRON: Both petitions.

7 COMMISSIONER ROSENFELD: Second.

8 CHAIRPERSON PFANNENSTIEL: All in favor?

9 (Ayes.)

10 CHAIRPERSON PFANNENSTIEL: Thank you.

11 We'll take this up then on December 13th.

12 MR. BOYD: Thank you.

13 CHAIRPERSON PFANNENSTIEL: Before we go
14 through the remainder of the agenda we do have
15 someone who would like to speak. He actually had
16 asked to address item 7, but we had passed through
17 item 7 before I got the card.

18 Mr. Comnes from NRG Energy, would you
19 like to address the issue on demand forecasting?

20 MR. COMNES: Good morning,
21 Commissioners. My name's Allan Comnes with NRG
22 Energy, Incorporated. And I appreciate the
23 opportunity to provide a short public comment on
24 demand forecasting. My comments are more general
25 than item 7, so it's fine that I didn't make that

1 particular agenda point.

2 But I'm here today giving comments
3 actually for both NRG and Reliant Energy. We're
4 two generators that provide service in southern
5 California. Together we own and operate over 5000
6 megawatts of generation capacity. And that's
7 about 20 percent of southern California's
8 installed capacity.

9 We've been very keenly focused on demand
10 forecasting issues since the summer heat storm.
11 We participated in the CEC's workshop back in
12 October.

13 For today we wanted to emphasize our
14 sense of urgency in trying to move forward on
15 incorporating the effects of the summer heat storm
16 into the future demand forecasts. Clearly, last
17 summer's weather was extraordinary, but there's
18 also evidence that after adjusting for weather,
19 the projected demand forecasts need to be revised.

20 Our industry has a significant risk
21 capital at stake in terms of providing existing
22 and new megawatts to the state. However, we can
23 only go so far in how far we take risks. In the
24 end the welfare of Californians is enhanced by
25 timely and unbiased CEC demand projections.

1 Although the CEC takes input from the
2 ISO and market participants, everyone agrees that
3 the CEC is the most definitive word on demand
4 forecasting. So, please do not under-estimate the
5 valuable function that your staff and this agency
6 provides.

7 The reason why I'm here today is that
8 decisions are being made now that both affect the
9 ISO, the California Independent System Operator,
10 and the CPUC for the need for new resources for
11 2007 beyond. These proceedings include the ISO's
12 local capacity requirement study, also known as
13 the LCR study, for 2008.

14 At the PUC there's a resource adequacy
15 program where they're considering whether to
16 update the demand forecasts for resource adequacy
17 requirements for as early as 2007.

18 And then also at the PUC they're
19 considering specific applications for new
20 megawatts that could go online as early as next
21 summer.

22 All of these proceedings require the CEC
23 demand projections would be greatly benefitted by
24 timely updates for summer 2007 and beyond. I
25 think the item that was on your agenda today would

1 help specifically on the local area requirement
2 study, because it seems to get higher resolution
3 data for the local requirement study. But even
4 the aggregate forecast would be very helpful, I
5 think, for the agencies and the industry.

6 I think there's reason to believe that
7 after weather normalization there is reason to
8 adjust the demand forecast. I think Commissioner
9 Geesman, making just his own comments, had stated
10 that the demand forecasts appear to be off by on
11 the order of 2000 to 3000 megawatts.

12 Edison, itself, Southern California
13 Edison, has stated that its growth in its service
14 territory is currently 5 percent per year. That's
15 a very high growth rate that's not incorporated in
16 the current demand forecasts.

17 And third, the Los Angeles Department of
18 Water and Power, an independent agency, after the
19 heat storm made a sort of one-time upward revision
20 to its demand forecast of 3 percentage points.

21 None of that information has sort of
22 been factored into the CEC demand forecasts. The
23 officially adopted forecasts are, you know, in
24 some cases up to two years old. Again, the ISO,
25 doing their local requirement study, is basically

1 using demand information from 2005. And until
2 there's an official update they are unlikely to
3 factor the new demand information into their
4 studies.

5 I do understand, I haven't seen it on
6 the official agenda, but I do understand there may
7 be a presentation on demand forecasting at the
8 December 11th joint agency action meeting. We do
9 look forward to that information. If there's any
10 way that that information could be rapidly
11 publicly endorsed, because again there's this
12 problem that even a staff recommendation, although
13 useful to the market, has a hard time getting
14 translated into requirements at the CEC -- sorry,
15 the CPUC, or at the ISO, we'd be very appreciative
16 and want to express the importance of doing so.

17 Thank you.

18 CHAIRPERSON PFANNENSTIEL: Thank you,
19 Mr. Comnes. Thank you for addressing us. I
20 assure you we do not under-value the work of the
21 demand forecasting staff here. We know that it's
22 not just valuable to our work, but, in fact,
23 critical to the energy supplies in the state. And
24 we appreciate organizations such as yours that
25 work with us.

1 I know, because you went through some of
2 the workshops with us, that it's sometimes
3 difficult to agree on what is the essential
4 information that we need for the forecast. We
5 also know that that changes relatively rapidly
6 over time. And that you can go back and see what
7 errors there were in earlier forecasts based on
8 best information at the time.

9 And as one who's spent some of my life
10 trying to do forecasts, I know that they're
11 inevitably wrong and you can only do the best you
12 can do.

13 But I do think the process that we've
14 gone through in the past several months of
15 designing the information needs in the new forms
16 and instructions will bring us to a new level of
17 accuracy, as close as we can get.

18 So, thank you for your comments.

19 MR. COMNES: Thank you.

20 CHAIRPERSON PFANNENSTIEL: Back to the
21 agenda. Approval of minutes of the November 8
22 business meeting.

23 COMMISSIONER ROSENFELD: I move the
24 minutes.

25 COMMISSIONER BYRON: And I second them.

1 CHAIRPERSON PFANNENSTIEL: All in favor?

2 (Ayes.)

3 CHAIRPERSON PFANNENSTIEL: The minutes
4 are approved.

5 Commission Committee presentations and
6 discussions. Anything, Commissioners? No for
7 that.

8 Chief Counsel's report, Mr. Chamberlain.

9 MR. CHAMBERLAIN: Yes, Madam Chairman.
10 I wanted to note that the North American Electric
11 Reliability Council is converting itself into the
12 North American Electric Reliability Corporation as
13 part of its becoming the electric reliability
14 organization, as certified by the Federal Energy
15 Regulatory Commission. And as they are working
16 through the process of trying to become certified
17 by eight Canadian provinces that have jurisdiction
18 over reliability in Canada.

19 As part of that conversion they are
20 asking all entities that are interested in
21 reliability standards to become members of that
22 corporation. There is no cost to becoming a
23 member. In order to do so I simply would need to
24 fill out their electronic form and let them know
25 who would be the contact person. I would propose

1 to put myself down, and perhaps Grace Anderson as
2 an alternate.

3 The purpose of doing that would allow us
4 to vote on -- there are 12 member classifications,
5 and we would be among the government agency
6 classification. That would allow us to vote on a
7 representative, or two representatives actually,
8 on the member committee. There's a member
9 committee with two representatives from each of
10 those classes.

11 And the western states are hoping to
12 have enough clout within that arena to insure that
13 at least one representative from the west is part
14 of that. Rick -- can't think of his last name
15 now -- he's on the Utah Public Service Commission,
16 has volunteered to do that. There may be others
17 that are interested. But in any case, I would
18 propose, with your concurrence, to have the Energy
19 Commission become a member of that organization.

20 CHAIRPERSON PFANNENSTIEL: I think
21 that's fine. Do we need a formal action on that,
22 Mr. Chamberlain? I wouldn't think so, it
23 sounds --

24 MR. CHAMBERLAIN: I don't think so. I
25 just wanted to let you know, give you the

1 opportunity to --

2 CHAIRPERSON PFANNENSTIEL: Are there
3 questions, discussion?

4 COMMISSIONER ROSENFELD: Bill, are the
5 members going to be 50 individual states and 16
6 provinces? Or -- it sounds like a pretty huge
7 membership.

8 MR. CHAMBERLAIN: Actually the
9 membership is enormous. There will be probably
10 several hundred members because there are not only
11 state governmental entities, there are also
12 federal governmental entities. But then there are
13 also 11 other classifications, including large
14 consumers, small electricity consumers, ISOs and
15 RTOs, reliability organizations, transmission
16 owners, generators, electric cooperatives. I mean
17 there are various categories. I think municipal
18 utilities are in their own separate category.

19 And each of these categories gets two
20 representatives on this member representative
21 committee. Now, the member representative
22 committee officially is the one that votes on
23 members of the board of trustees for the
24 corporation.

25 However, it's not clear that that

1 committee has all that much power because,
2 frankly, there's a nominating committee that will
3 nominate normally only one candidate for each of
4 those positions. And that nominating committee is
5 controlled by the board.

6 But they do have representatives of the
7 member committee that participate in that
8 nominating process.

9 COMMISSIONER ROSENFELD: Certainly
10 encourage you to --

11 MR. CHAMBERLAIN: Okay, thank you.

12 COMMISSIONER BYRON: Bill, am I to
13 understand that funding has been withheld from
14 this organization at the federal level, is that
15 correct?

16 MR. CHAMBERLAIN: No. What you heard
17 was that, I think what you're probably referring
18 to is that the Western Electricity Coordinating
19 Council's budget, which was submitted by the ERO
20 by NAERC to FERC with a comment. And the comment
21 was that WECC had proposed to have its reliability
22 centers funded through the mandatory charge under
23 section 215.

24 The reliability centers are three
25 offices that monitor large areas of the western

1 interconnection and insure that the various, the
2 34 balancing authorities that are actually
3 operating the system and keeping the loads and
4 resources in balance, are aware if there are lines
5 that are being overloaded, if there are -- they
6 have a wide area view. They try to maintain
7 situational awareness so that problems are
8 identified in advance and can be resolved in real
9 time.

10 None of the rest of the United States
11 does it that way. Generally they're done by ISOs
12 or power pools; they're done by groups of
13 balancing authorities, control areas was the old
14 term.

15 COMMISSIONER BYRON: Okay, so NAERC's
16 funding is not in trouble?

17 MR. CHAMBERLAIN: No. NAERC's funding
18 is not in trouble.

19 COMMISSIONER BYRON: Okay.

20 MR. CHAMBERLAIN: It was a question
21 whether WECC would be able to get funding for its
22 reliability centers. We have, last week WECC
23 filed a petition for reconsideration, which I
24 think was a very good document. And I think we
25 have some hope that FERC will reverse that

1 decision.

2 COMMISSIONER BYRON: Okay, thank you.

3 CHAIRPERSON PFANNENSTIEL: Thank you,
4 Bill. Anything else?

5 MR. CHAMBERLAIN: No.

6 CHAIRPERSON PFANNENSTIEL: Executive
7 Director report. Mr. Matthews.

8 MR. MATTHEWS: Neither I nor the Leg
9 Director have a report for today.

10 CHAIRPERSON PFANNENSTIEL: All right,
11 thank you. That takes us down to Public Adviser
12 report.

13 MR. BARTSCH: Madam Chair, Members; Nick
14 Bartsch for Margret Kim. We do not have anything
15 new to report at this time. Thank you.

16 CHAIRPERSON PFANNENSTIEL: Thanks. Any
17 further public comment?

18 Hearing none, we'll be adjourned.

19 (Whereupon, at 10:55 a.m., the business
20 meeting was adjourned.)

21 --o0o--

22

23

24

25

CERTIFICATE OF REPORTER

I, JOHN COTA, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Business Meeting; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor in any way interested in outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of December, 2006.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345